



May 14, 1999

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ex Parte

Ms. Magalie R. Salas
Secretary
Federal Communication Commission
445 Twelfth Street, SW
Street Lobby – TW 325
Washington, D.C. 20554

Re: CC Docket No. 99-68—Inter-Carrier Compensation for ISP-Bound Traffic in the
Matter of 1999 Price Cap Revisions

Dear Ms. Salas:

Please be advised that on Thursday, May 13, 1998, Mr. Paul Cooper, Mr. Jay Bennett, Mr. Michael Kellogg and the undersigned, representing SBC Communications Inc. (SBC), met with Mr. Chris Wright, General Counsel, and Ms. Suzanne Tetreault, Deputy Associate General Counsel, regarding the jurisdictional treatment of Internet traffic and discussed the above listed proceeding. As described in our letter to the FCC of April 2, 1999 (attached) and as explained in the meeting, the SBC Telcos (Southwestern Bell Telephone Company, Nevada Bell and Pacific Bell) are assigning and reporting the ISP bound traffic, costs and revenues in compliance with Part 36 of the FCC's Rules and Regulations ("Separations Manual") and the FCC's Orders. Thus, as it is identified by the SBC Telcos, originating end user ISP bound traffic, in compliance with long standing FCC precedent and in compliance with FCC Docket No. 96-98 (para. 10 through 20), is assigned to the interstate jurisdiction.

Please include this letter and the attachments in the record of these proceedings in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Acknowledgement and date of receipt of this transmittal are requested. A duplicate transmittal letter is attached for this purpose.

If you have questions concerning this information, please feel free to contact me at 202.326.8894 or Mr. Jay Bennett at 202.326.8889.

Sincerely,

A handwritten signature in cursive script, reading "B. Jeannie Fry".

Attachment

No. of Copies rec'd 0191
List A B C D E

Cc: Mr. Craig Brown, Deputy Chief, Accounting Policy Division
Ms. Suzanne Tetreault, Office of the General Counsel
Mr. Yog Varma, Deputy Chief, Common Carrier Bureau
Mr. Chris Wright, General Counsel, Office of the General Counsel



C. Tyler
4/2/99

April 2, 1999

Mr. Kenneth P. Moran
Chief, Accounting Safeguards Division
Federal Communications Commission
2000 L Street, NW, Room 812
Washington, D.C. 20554

RE: FCC's Accounting Safeguards Division Request for Reporting Information, ARMIS
43-01 and 43-04 Reports

Dear Mr. Moran,

In order to ascertain how carriers are reporting minutes, costs, and revenues for Dial-Up traffic between Internet Service Providers (ISP) and other End-Users ("Dial Up Traffic") in the 1998 ARMIS filings due on April 1, 1999, the FCC's Reporting Management and Analysis Branch requested (via email dated March 25, 1999) that carriers indicate to which jurisdiction (i.e., interstate or intrastate) Dial Up Traffic minutes of use, costs and revenues are reported on the ARMIS 43-01 and 43-04 Reports.

The SBC Telcos (Southwestern Bell Telephone Company, Nevada Bell and Pacific Bell)¹ are assigning the ISP connection costs and revenues as well as ISP end user traffic² as required by Part 36 of the FCC's Rules and the Declaratory Ruling in CC Docket No. 96-98, released February 26, 1999. This assignment is reflected in the ARMIS 43-01 and 43-04 reports for 1998 for the SBC Telcos.

CC Docket No. 96-98 identifies two areas of consideration for Separations: (1) the connection between the LEC end offices and the ISP (the "ISP connection") and (2) the originating end user's Internet access ("ISP-bound traffic"). The ISP connection, as shown in Figure 1 (see Attachment 1), is made to a switch entity (facilities from an end office switch to

¹ Since The Southern New England Telephone Company (SNET) did not have the systems and processes in place to make such an assignment, SNET did not assign ISP-bound traffic to the Interstate jurisdiction during 1998. As these systems and processes are put into place, SNET will begin assigning and reporting the ISP-bound traffic to the Interstate jurisdiction.

² As SBC explained in its letter to the FCC, SBC is in the process of phasing in measurement procedures and systems to fully identify and properly assign ISP Internet bound traffic. As ISP Internet bound usage is identified by the SBC Telcos via these measurement procedures and systems, it is assigned to the interstate jurisdiction. (See February 23, 1998 letter to FCC's Mr. Chuck Needy from Ms. B. Jeannie Fry, SBC Communications Inc.)

the ISP point of presence) while the network originating ISP-bound traffic uses the loop and end office switch, and may use transport and tandem facilities, to obtain interstate access to the Internet through the ISP.

The SBC Telcos are assigning and reporting ISP-bound traffic, costs and revenues in compliance with Part 36 of the FCC's Rules and Regulations ("The Separations Manual")³ and the FCC's Orders. Specifically, the SBC Telcos, in compliance with long-standing FCC determinations and in compliance with FCC Docket No. 96-98 (Paragraph 36), account for the ISP connection costs and revenues as intrastate.⁴ As it is identified by SBC Telcos, originating end user ISP-bound traffic, in compliance with long standing FCC precedent and in compliance with FCC Docket No. 96-98 (Paragraphs 10 through 20), is assigned to the interstate jurisdiction.

Questions regarding this issue may be referred to Mr. Paul Cooper at (314) 235-8111 or me at (202) 326-8894.



B. Jeannie Fry

Attachment

³ In the absence of a Separations Manual change, recommended by a Joint Board and adopted by the FCC, the SBC Telcos cannot do otherwise without a violation of FCC rules.

⁴ The "connection" between the ISP end user and the end office switch is treated in the separations process as a subscriber message loop with 75% of the costs allocated to intrastate and 25% allocated to interstate. The costs allocated to intrastate are recovered via an intrastate business basic service rate and the costs allocated to interstate are recovered via interstate rates, including the appropriate interstate End User Common Line (EUCL) charge. Because the usage over the ISP's connection is interstate access, the connection and its revenue should be assigned to the interstate jurisdiction.

Figure 1

